212

Litton
Corporate

FAXED 6/24/92

1725 Jefferson Davis Highway
Suite 601, Crystal Square Two
Arlington, Virginia
22202-3585

703 892-3917
FAX-703-892-3970

June 24, 1992

E. Jane Kloeckner
Office of Regional Counsel
United States Environmental Protection
Agency, Region VII
725 Minnesota Avenue
Kansas City, Kansas 66101

RECEIVED
JUN 30 1992
IOWA SECTION

VIA TELEFAX

RE: In the Matter of Litton Systems, Inc., Instruments and Life Support Division, EPA Docket No. VII-92-H-0014

Dear Ms. Kloeckner:

This letter provides the information that you requested last week regarding the proposal of Litton Systems, Inc., Instruments and Life Support Division (ILSD) to eliminate all open-top vapor degreasers that use ozone-depleting substances for cleaning purposes. ILSD proposes to replace its solvent degreasers with new aqueous cleaning systems that do not generate spent solvents that must be managed as hazardous wastes, and that do not contribute to stratospheric ozone layer depletion. As we explained in our meeting with you last Thursday, ILSD wants to claim the cost of this equipment as an environmental project that would result in a downward adjustment to EPA's proposed administrative penalty under the Revised RCRA Civil Penalty Policy in the above-referenced case.

ILSD proposes to replace vapor degreasers that currently employ 1,1,1-trichloroethane (1,1,1-TCA) and trichloroethylene (TCE) to clean precision mechanisms and electronic components. Between June 5, 1991 and June 5, 1992, ILSD purchased 26,004 lbs. of 1,1,1-TCA at $.5474 per pound, totaling $14,235, and 312,675 lbs. of TCE at $.3465 per pound, totaling $25,796. The 1,1,1-TCA costs include indirect payment of the tax on ozone-depleting substances imposed on the chemical manufacturers under Internal Revenue Service regulations at 26 C.F.R. Part 52. [The tax on ozone-depleting substances does not apply to TCE.]

The per pound tax rate is derived by multiplying a statutory base amount by the ozone-depleting potential of the covered substance. The ozone-depleting potential for 1,1,1-TCA is .01.[1] The tax rate for 1,1,1-TCA in 1992 is $.0137 per pound in 1992, and it will increase to $.0167 in 1993, $.0300 in 1994, and $.0310 in 1995. If the price of 1,1,1-TCA is presumed to be adjusted only to reflect the manufacturers' payment of the tax, and if ILSD's use of 1,1,1-TCA is

[1]The ozone-depleting substance tax amount would be substantially increased if the solvent being replaced had a greater ozone-depleting potential. For instance, CFC-113 (Freon) has an ozone-depleting potential of .8, which results in an eightfold increase in the tax amount per pound compared to 1,1,1-TCA.

presumed to remain constant, the projected price that ILSD would pay for 1,1,1-TCA would be $14,312 in 1993 ($77 increase over 1992), $14,833 in 1994 ($521 increase over 1993), and $14,859 in 1995 ($24 increase over 1994).

ILSD would not take any investment tax credit for the new aqueous cleaning systems, and we are not aware of any other tax benefits associated with these contemplated purchases.

ILSD estimates the cost of the required replacement aqueous cleaning solutions to be equivalent to that of the solvents currently being used.

During 1991, ILSD disposed of fourteen 55 gallon drums of 1,1,1-TCA and twenty-three 55 gallon drums of TCE as F001 hazardous waste. ILSD's disposal cost of 1,1,1-TCA is $240 per drum, and transportation is $10 per drum. ILSD's use of 1,1,1-TCA would be eliminated as a result of purchasing the contemplated aqueous cleaning system. The resulting annual savings from avoided spent 1,1,1-TCA and TCE disposal costs would be approximately $9250. The cleaning solutions used in the aqueous cleaning systems would require filtering to remove oils and impurities collected during the cleaning process. ILSD estimates that the facility would generate approximately six 55 gallon drums of collected oils and impurities that would be disposed of as non-hazardous waste. ILSD estimates the disposal and transportation costs resulting from aqueous cleaning system operation to be roughly the same as for solvent disposal ($250 per 55 gallon drum), yielding an estimated annual disposal cost of $1500. Thus, the estimated total savings in disposal costs resulting from replacing solvent cleaning with aqueous cleaning would be approximately $7750 per year.

ILSD assumes that the energy consumption costs of the proposed aqueous cleaning system would be approximately the same as these costs for the current solvent cleaning system.

The installation of an aqueous cleaning system would result in the discharge of approximately 1000 gallons per week of spent aqueous cleaning solution containing cutting oils to the sewer. ILSD currently meets its oil and grease limit under the City of Davenport pretreatment ordinance without any pretreatment for that parameter. ILSD anticipates that it would not have to install pretreatment equipment to comply with its current oil and grease pretreatment limit after the installation of the contemplated aqueous cleaning system at the facility. However, it is possible that the facility will have to install some pretreatment technology, such as an oil-water separator, as a result of switching to aqueous cleaning. The cost for this pretreatment equipment would be approximately $15,000 if it is necessary, based on the purchase of a similar piece of pretreatment equipment that a Litton facility installed recently in San Carlos, California.

ILSD currently operates five vapor degreasers with the following rated solvent capacities: 120 gallons (two degreasers), 50 gallons (two degreasers), and 30 gallons (one degreaser). ILSD proposes to install four aqueous cleaners that each would have a rated capacity of 90 gallons of cleaning solution. In October, 1990, ILSD obtained a quote from the R.R. Floody Company in Rockford, Illinois for Ramco Migi-Kleen MK36 aqueous cleaning units of $9535 each. Including inflation, sales tax and installation costs, ILSD estimates that it could install four of these units (or similar ones) for a total of $48,000.

Assuming no pretreatment equipment costs, ILSD estimates the pay-back period for the proposed aqueous cleaning system to be approximately six years.

As we explained at our meeting last week, this proposed solvent cleaning system conversion meets all of the relevant criteria for an environmental project downward adjustment factor to any gravity based penalty assessed against ILSD under the RCRA Penalty Policy. Specifically, the proposed solvent cleaning system elimination would be initiated in addition to any statutory or regulatory compliance obligation, and it would not be used to mitigate a penalty in any other enforcement action. The installation of an aqueous cleaning system would not substitute for full RCRA compliance at ILSD, but would be in addition to it.

There are two principal environmental benefits that would result from this proposal. First, it would eliminate ILSD's release of these stratospheric ozone-depleting substances.[2] Second, it would eliminate approximately fifty per cent of the hazardous waste generated by ILSD. This voluntary project would clearly demonstrate a good-faith commitment to statutory compliance and to environmental improvement. The principal beneficiaries of the project would be the stratospheric ozone layer and the hazardous waste treatment, storage and disposal system due to waste minimization, rather than ILSD.

The aqueous cleaning system installation proposal would require little or no EPA oversight, and monitoring ILSD's installation of the system would be simple for the Agency.

The proposed environmental mitigation project is particularly appropriate for a downward adjustment credit in this case because its approval and installation would eliminate a part of ILSD's hazardous waste stream that was the subject of several of the alleged violations in the underlying action. Thus, it would closely address the environmental effects of the alleged violations by eliminating their source.

Because the RCRA Penalty Policy allows downward penalty adjustments for environmental projects only where they do not detract significantly from the general deterrent effect of a settlement, and it requires every settlement to include a substantial monetary penalty component, we reiterate our proposal to receive a $15,000 credit for installing the aqueous cleaning system. The cost and tax information set out above make clear that if ILSD installs the proposed aqueous cleaning system, the net actual costs that ILSD would incur would substantially exceed $15,000.

Please call me if you need any additional information to assess ILSD's proposal to install an aqueous cleaning system in exchange for a downward penalty adjustment in this matter. Also, I await your management's response to the settlement proposal that you and Brian Mitchell committed to take to them during our meeting.

---

[2]ILSD's EPCRA Section 313 reports indicated releases of 6400 lbs. of 1,1,1-TCA and 7800 lbs. of TCE to the atmosphere in 1989.

The information in this letter is intended for settlement purposes only, and is not an admission of liability for any alleged violations by EPA in the complaint in this matter.

Sincerely,

Mark V. Stanga
Environmental Affairs Counsel

cc: Brian Mitchell, EPA Region VII

511LFM62

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Corporate

1776 Jefferson Davis Highway
Suite 601, Crystal Square Two
Arlington, Virginia
22202-3585

703 892-3917
FAX-703-892-3970

WASHINGTON, D.C.
LAW DEPARTMENT
FACSIMILE COVER SHEET

CONFIDENTIAL [ ]
PRIORITY [ ]

TO: Brian Mitchell
913 - 551 - 7521

FROM: Mark Stanga

DATE: June 29

SUBJECT: Litton ILSD

NO.OF PAGES: 4 PLUS COVER SHEET

COPIES SENT TO:

MESSAGE:

Litton
Corporate

1725 Jefferson Davis Highway
Suite 605 Crystal Square Two
Arlington, Virginia
22202-3886

703 892-3917
FAX 703 892 3970

June 24, 1992

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Assuming no pretreatment equipment costs, ILSD estimates the pay-back period for the proposed aqueous cleaning system to be approximately six years.

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